

Action Item

*Fiscal Policy and Analysis Committee*

Approval of the Minutes of the August 21, 2000, Meeting

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# MINUTES

## *Fiscal Policy and Analysis Committee*

Meeting of August 21, 2000

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**Committee members present** Kyo “Paul” Jhin, *Chair*  
Ralph Pesqueira, *Vice Chair*  
Velma Montoya  
Melinda G. Wilson  
Guillermo Rodriguez, Jr., *ex officio*

**Alternate Commissioner present** Phillip J. Forhan

**Committee member absent** Alan S. Arkatov, *ex officio*  
Andrea L. Rich  
Roger Schrimp

**Other Commissioners present**  
Carol Chandler  
Robert Hanff  
Lance Izumi  
Monica Lozano  
Evonne Schulze  
Kuhl Smeby  
Howard Welinsky

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**Call to order** Chair Jhin called the August 21, 2000 Fiscal Policy and Analysis Committee meeting to order at 9:58 a.m. in Room 202 of the Sacramento Convention Center, 1400 J Street, Sacramento, California.

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**Approval of the minutes** Chair Jhin asked for a motion to approve the minutes. A motion was made, seconded, and the committee voted without dissent, to approve the minutes of the June 12, 2000, meeting, as submitted.

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**Financial condition of California’s independent colleges and universities** Chair Jhin called upon Commission staff member David Leveille and Association of Independent California Colleges and Universities (AICCU) President Jonathan Brown to present this information item.

Mr. Leveille introduced the item. He stated that independent colleges and universities are critical to overall quality of California higher education and to overall health of the State’s economy. He said that the State’s policy on student financial aid has a significant impact on the independent college sector. For these reasons, the Legislature and Governor have called upon the Commission to report periodically on the financial condition of the sector. He reviewed the makeup and diversity of independent institutions and their collective student body and highlighted the sectors’ importance in awarding credentials, as well as baccalaureate, graduate, and professional degrees.

Mr. Brown provided additional details about the contributions of independent colleges and universities to California higher education and the State's overall economy. He said that independent colleges view themselves as a public but not a governmental resource. He said independent institutions had a good record, however, of cooperation with government, and that the State's Cal Grant program is critical to the independent sector's financial health. He said that independent institutions support the constitutional prohibition on direct State financial support for that sector. He discussed various aspects of cost, expenditures, and pricing policy in both public and private higher education.

Mr. Brown credited the Commission for its role in the late 1990s in helping restore the value of Cal Grants, both in maximum award levels and the number of grants. He said erosion in these student aid programs had made it difficult for independent colleges to compete for student enrollment. As a result, independent colleges had then sought an increasing number of students from outside the state. He reported that improvements in the Cal Grant program has helped reverse that trend.

He cited the "Cal Grant Multiplier" for independent institutions. He said it means that, for each state-funded grant for a student at an independent institution, two additional non-need-based students could receive institutional aid at an independent institution in California.

Mr. Brown reviewed the next installment of the report on the financial condition of independent colleges in the state. He said key factors include tuition dependency, net tuition per Full-Time Equivalent Student (FTES) enrollment, educational core services ratio, and a contributed income ratio. These factors, he said, result in a Composite Financial Index that represents the length of time an institution can remain open without receiving additional revenue. The national ratio ranges from less than one-half year to eight or nine years. The strongest institutions have less tuition dependency, a higher educational core services ratio, and a strong contributed income ratio.

Citing the 1995 report on the financial condition of independent institutions in which some schools were found to have negative Composite Financial Index, Mr. Brown said the trend had been generally toward a strengthened financial condition. However, he cited several regulatory factors that had increased institutional costs for independent institutions. These included complying with the Americans with Disabilities Act, the Student Right to Know Act, and with various regional planning decisions.

Mr. Brown said a new report would be presented in the winter and would include California and national data about independent colleges and universities. He said it is hoped that the report will result in consideration of long-range public policies that help ensure and encourage the continuation of the independent sector. He said continued cooperation between the sector and the Commission will result in more adequate and useful information becoming available about independent college and university students.

There was a general discussion about independent institutions, including enrollment of foreign students, factors associated with institutional failure, the unique role independent

institutions play in California higher education in meeting students' needs, and overall growth in enrollment in the sector.

Commissioner Pesqueira asked for inclusion of data on the number of additional students that might be accommodated by independent institutions as California faces the "Tidal Wave II" of enrollment demand between now and 2012.

Mr. Brown said the Commission's 1995 report on this topic estimated that number at between 20,000 and 40,000 students. The sector has taken on an added 25,000 since then, he reported. New estimates, which are predicated on a number of assumptions, are that the independents can take between 20,000 and 40,000 more students. He said growth in independent enrollment would be significantly influenced by State Cal Grant policy and cited the new Cal Grant "guarantee" as a very positive factor.

Commissioner Smeby chronicled the value of independent institutions, including the ability to respond to the needs of individual students. He said there is ample room for coexistence of the independent and private sectors.

There was a general discussion about the independent sector's long-term attrition rate. Mr. Brown reported that four school failures over the last 25 years. He expressed some concern for a few current institutions and discussed measures that are taken by AICCU to aid schools that might be at risk.

Chair Rodriguez thanked Mr. Brown for his report and encouraged wide distribution of the information about the independent sector's contributions to California higher education.

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**Executive  
compensation  
in California  
higher education,  
1999-2000**

Chair Jhin called upon staff member Cheryl Hickey to present a report on Executive Compensation in California Higher Education.

Ms. Hickey said this is the Commission's eighth annual report to the Legislature on higher education executive compensation in California's public colleges and universities. She said the committee had seen this as an information item in July and that it was being presented for action at this meeting.

Ms. Hickey said the report compares year-to-year compensation levels for all three sectors and, for CSU and UC, with comparison numbers for separate sets of like-institutions on a national level. She said the community colleges participate voluntarily.

Ms. Hickey noted that there were no changes to the sections on the State University or the University of California:

- ♦ The average salary of the 22 presidents in the California State University is \$197,206. This mean salary lagged the average of their national comparison group by 8.9 percent, down significantly from 15.1 percent in 1998-99.
- ♦ The average salary of the chancellors of the University of California's nine general campuses is \$263,333. This mean lagged the average of their all-university set of 26

comparison institutions by 12.5 -- down from 16.3 percent last year -- and of their eight faculty salary comparison institutions by 19.1 percent -- down from 21.2 percent from last year.

Ms. Hickey said the report contains new and additional data from the California Community Colleges. It now shows that the average annual salaries for the chancellor at a multi-college district is \$154,372, an increase of 6.8 percent; the average annual salaries for the presidents in multi-college districts is \$116,472, a 4.7 percent increase; and for superintendents and presidents in single-college districts is \$129,248, an increase of 7.8 percent. She said 24 campus officials also receive an additional annual stipend averaging \$1,500. This information will be included in the final report.

Chair Rodriguez moved adoption of the report.

The motion was seconded and, in the discussion that followed, questions were asked and answered about the rationale for compensation increases awarded the Chancellor of the California Community Colleges. Chair Rodriguez also asked about the overall comparison methodology and suggested that it be reviewed to include other compensation factors to improve the analysis. Staff agreed to take this under advisement.

The motion on the floor passed without dissent.

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**Adjournment**    Having no further business, Committee Chair Jhin adjourned the meeting at 10:58 a.m.

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